

Conclusions to NIE-62
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PROBABLE FUTURE DEVELOPMENTS

1. It is estimated that Communist influence in Guatemala, which has increased at a rapid rate and has reached a level that constitutes a serious danger to US security interests, will continue to grow during the remainder of 1952 unless the government and the army change the position which they so far have assumed. Barring this latter contingency the Communists will continue to extend their influence through the dominance of organized labor, infiltration of the administration and of the leadership of the pro-government parties.

2. Barring a radical deterioration in Guatemala's economy, the stability of the Arbenz administration is not likely to be threatened in 1952. There is no effectively organized opposition. Moreover, the Government's broad national and social program, the efficacy of its propaganda, the emotional support engendered by its contest with the United Fruit Company, the trend toward unity among the pro-Administration political forces, including the Communists, and the apolitical position of the Army together present a powerful combination of factors favoring the stability of the regime.

3. The stability of the regime and the direction of the Revolution during 1952 are largely keyed to the outcome of the dispute with the United Fruit Company. The possibilities are:
(a) a settlement with the United Fruit Company which the Arbenz

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administration can present as a substantial victory, (b) a continuation and extension of the present dispute with US business interests, and (c) the breakdown of present negotiations and the withdrawal of the United Fruit Company from Guatemala.

4. In the event that the Arbenz administration reaches a successful settlement with United Fruit, i.e., if United Fruit remains in the country on the government's and labor's terms, Arbenz would be immeasurably strengthened in the country. Under these circumstances, the Government should have less difficulty in winning a victory in the congressional elections to be held in the fall and will be better able to sustain a show of economic and social reform.

5. In the event of a settlement with the United Fruit Company, the Administration, even though freer to pursue an independent course, will probably continue collaboration, at least until the forthcoming congressional elections, with Communist-led labor, which will likewise have been strengthened. The Government would be under pressure to maintain its anti-US position and to continue its campaign against foreign interests, directing them against other large American interests, with the IRCA as the first target. The Communists would also be able to strengthen their ties with international Communism, particularly through the international labor front.

6. It is not impossible, however, that the Government may

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recognize the essential danger to itself of continued close collaboration with Communists and may seize the opportunity of a "victory" over the United Fruit Company to begin the separation of labor from its Communist leadership. This possibility could become stronger after the congressional elections and over the longer range. Under such circumstances foreign enterprises in Guatemala may receive some respite and anti-US propaganda may be tempered. Even in this eventuality, however, it is not likely that the Administration would surrender its position with respect to "colonialism" and "democracy", nor its position of independence in world councils.

7. In the event of continued dispute with the United Fruit Company the present trend of economic deterioration and mounting political tension will be accelerated. There will be an increase of restlessness among the middle class and perhaps within the army. The financial position of the government will become weaker; there may be cutbacks in economic projects and social services. The government will be left with little political support outside of Communist-led labor for political support. There will be a corresponding increase of restlessness among the middle class and perhaps within the army.

8. It is not expected, however, that, barring coffee crop failure and a sharp decline in coffee prices, the economic situation will become so critical as to deprive the government of control of the situation. As political insecurity increases the pro-Adminis-

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tration parties although they may lose constituents may be expected to act in close accord, and the Administration, if necessary, will supplement its propaganda against the opposition by suppression or political persecution.

9. Under gradually deteriorating economic conditions the following developments are possible with respect to the position of Communism in Guatemala.

- a. Should the Arbenz administration not appreciate the danger of Communist expansion in Guatemala, the Communists are likely to be successful in intensifying domestic propaganda against US interests and in extending the area of Guatemala's non-cooperation and even hostility toward the US. They will develop their local organizations, strengthen their ties with international Communism, and intensify their relations with Communist organizations in other Central American countries.
- b. Should the Arbenz administration permit the Communists to realize their potential to such an extent that they are able to seize direct or indirect control of the government, the army is likely to withdraw its support from the administration and join with opposition forces.
- c. There is a possibility that the Arbenz administration, recognizing that the Communists are capable of challenging its control, may, with the support of the army launch a

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move against the Communists.

10. While the growth of Communism will produce a widespread reaction it is not possible at present to foresee at what point -- short of Communist seizure of government -- opposition to Communist expansion will become effective. The attitude of the army would be the controlling factor. It is probable that in the early stages of Communist expansion, since it will be initiated under the guise of nationalism, the army will retain its present posture of non-interference in political affairs. However, while the army may continue to tolerate Communist expansion it will at the same time become apprehensive of the outcome of such a development, especially if the Administration shows itself unable to circumscribe Communist influence within limits which it regards as safe. It is almost certain that the army will take a much more positive stand should it become convinced that the Communists are on the verge of capturing direct or indirect control of the government.

11. In the event of a break in the negotiations with the United Fruit Company and the withdrawal of the Company from the country, the stability of the Arbenz administration would be seriously endangered. It would be confronted with severe economic dislocations such as unemployment, curtailed national income, and loss of revenue. Drastic social and economic measures would then be required to cushion the shock to the nation's economy. The degree to which such measures might be effective would determine the

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life of the Administration.

12. Should these measures prove inadequate to cope with a severe and prolonged economic crisis, the government will very quickly lose any middle class support it now has. Labor would probably turn against both its Communist leadership and the government. Under these conditions the army may well estimate that the government has lost its popular support and may intervene.

13. Should the government, however, exploit the Company's withdrawal as a great national victory, and, with the enthusiastic support of the Communists, undertake measures which would shift the burden of the economic crisis upon the well-to-do groups in Guatemala, the Administration may succeed in retaining a considerable measure of its popular support, at least until the end of 1952. It is not believed that sharp curtailment of banana production and marketing, or, even a contingency such as IRCA's withdrawal need, in themselves, prove fatal to the economy over the short run. Under these circumstances the army may well hesitate to intervene unless it becomes convinced that the Communists have assumed control, or even direction, of the government.

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